

806 KAR 19:040. Extinguishment of debt; options.

RELATES TO: KRS 304.19-060, 304.19-070

STATUTORY AUTHORITY: KRS 304.2-110

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 provides that the Commissioner of Insurance may make reasonable rules and regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. This administrative regulation provides the debtor a choice, when a debt extinguished which is covered by any type of credit insurance, to retain the insurance coverage or to receive a pro rata return of the premium.

Section 1. In the event of extinguishment of a debt by prepayment wherein the credit transaction is secured by any type of credit insurance, and the debt is not renewed or refinanced, termination of such insurance is not required, and may, at the option of the debtor, continue for the benefit of the secondary beneficiary. The agent shall, within ten (10) days of the extinguishment of the debt, notify the debtor of the debtor's option to continue the insurance or receive a pro rata return of the premiums.

Section 2. In the event the debtor elects to continue such insurance in force, the agent shall give written notice to the insurer within ten (10) days of the date the debtor makes his election, that the debt is extinguished and that the insurance is to remain in force for the benefit of the secondary beneficiary. (1-19.04; 1 Ky.R. 1084; eff. 7-2-75; TAm eff. 8-9-2007; Crt eff. 2-26-2020; TAm 3-10-2020.)